

Message Text

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ACTION EB-08

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FM AMEMBASSY KINSHASA

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C O N F I D E N T I A L KINSHASA 7808

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: LONDON BANK AGREEMENT

REF: (A) KINSHASA 6660, (B) STATE 191746, (C) KINSHASA 7650

1. SUMMARY: FINANCE MINISTER BOFOSSA HAS REITERATED ASSURANCE THAT ORIGINAL PLANS FOR LONDON BANK AGREEMENT AND OTHER ECONOMIC PROGRAMS REMAIN VALID. HE HAS ALSO STATED THAT GOZ CONTINUES TO SEEK ONLY MEDIUM-TERM AGREEMENT. CITIBANK OFFICIALS INSIST THAT THEIR PLAN IN FACT CONSTITUTES MEDIUM-TERM COMMITMENT. EMBASSY SUGGESTS THAT CURRENT CITIBANK PROPOSAL BE STUDIED CAREFULLY AND POSSIBLY DISCUSSED WITH OTHER MAJOR CREDITORS TO DETERMINE WHETHER OR NOT IT IS SUFFICIENTLY COMPARABLE TO AGREEMENT WITH ZAIRE'S OFFICIAL CREDITORS. END SUMMARY.

2. AMBASSADOR AND ECON COUNSELOR MET WITH HAMILTON MESERVE AND LOCAL CITIBANK REP ANSELL AUGUST 14 PRIOR TO THEIR MEETING WITH BOFOSSA. MESERVE STATED THAT IN PREVIOUS MEETING FRIEDMAN HAD TOLD SAMBWA THAT IT WAS IMPOSSIBLE TO OBTAIN MEDIUM-TERM FIVE-YEAR LOAN AS CALLED FOR BY LONDON AGREEMENT; THAT THE BEST BANKS WOULD BE WILLING TO PROVIDE WAS 180-DAY REVOLVING CREDIT. MESERVE SAID FRIEDMAN HAD ALSO TOLD SAMBWA THAT IT WOULD BE IN ZAIRE'S BEST INTERESTS FOR BANKS TO FORMALLY OFFER SUCH AN ARRANGEMENT
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AND, IF IT PROVED UNACCEPTABLE TO THE GOZ, THEN IT WOULD BE IN ZAIRE'S BEST INTERESTS TO FORMALLY REJECT SUCH TERMS.

COMMENT: THIS IS AT VARIANCE WITH REF (A) IN WHICH WE REPORTED THAT GOVERNOR SAMBWA TOLD US HE HAD REJECTED 180-DAY TERMS AND THAT FRIEDMAN HAD CONCURRED. END COMMENT.

3. MESERVE AND ANSELL STRESSED TO US THAT 180-DAY CREDIT AS

PRESENTLY PROPOSED BY CITIBANK IS EFFECTIVELY EQUAL TO MEDIUM-TERM LOAN, AS AGREEMENT WILL PROVIDE PROVISION FOR CREDIT TO BE CONVERTED TO MEDIUM-TERM LOANS SHOULD THERE BE DEFAULT IN REPAYMENT OF CREDIT. NO NEW CREDITS WOULD BE EXTENDED IN EVENT OF DEFAULT. THEY STATED THAT THEY HAD DISCUSSED THIS CONCEPT WITH EXIM AND TREASURY OFFICIALS IN WASHINGTON.

4. LATER ANSELL GAVE US FOLLOWING ACCOUNT OF PRINCIPAL POINTS MADE TO HIM AND MESERVE BY BOFOSSA DURING AUGUST 14 MEETING:

A. DISMISSAL OF SAMBWA WAS RELATED SOLELY TO INTERNAL ZAIRIAN AFFAIRS AND HAD NOTHING TO DO WITH LONDON AGREEMENT OR ANY OTHER INTERNATIONAL AGREEMENT.

B. LONDON AGREEMENT AND ALL OTHER INTERNATIONAL AGREEMENTS SUCH AS IMF STANDBY AND ECONOMIC STABILIZATION PROGRAM WERE THE DECISIONS OF MOBUTU AND REMAIN INTACT.

C. CITIBANK SHOULD PROCEED UNDER THE ORIGINAL MANDATE WITH ITS ATTEMPT TO RAISE \$250 MILLION.

5. ANSELL STATED THAT COMPARABILITY WAS ONLY MENTIONED BRIEFLY. MESERVE TOLD BOFOSSA THAT HE DID NOT WISH TO DISCUSS SPECIFIC MECHANISMS AS PROPOSAL IS NOT YET FINAL; BUT HE WAS CONFIDENT THAT CITIBANK WILL BE ABLE TO DEMONSTRATE THAT THEIR PROPOSAL WILL CONSTITUTE A MEDIUM-TERM COMMITMENT.

6. AUGUST 16 AMBASSADOR AND ECON COUNSELOR MET WITH BOFOSSA AND INTER ALIA DISCUSSED PROPOSED LONDON BANK AGREEMENT AND CONFIDENTIAL

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ISSUE OF COMPARABILITY. BOFOSSA MENTIONED HIS MEETING WITH CITIBANK OFFICIALS ON AUGUST 14 AND STATED THAT DETAILS OF LONDON AGREEMENT WERE NOT DISCUSSED. HOWEVER, HE ADDED THAT HE HAD INSISTED UPON MEDIUM-TERM CREDIT AND THAT CITIBANK OFFICIALS HAD INDICATED CONCURRENCE.

7. IN RESPONSE TO QUERY AS TO WHAT WOULD BE GOZ POSITION SHOULD PRIVATE BANKS NOT OFFER MEDIUM-TERM CREDIT, BOFOSSA REPLIED THAT GOZ WOULD THEN RETURN TO ORIGINAL POSITION WHICH IT HAD TAKEN AT LONDON, I.E. OFFER PRIVATE BANKS RESCHEDULING WITH TERMS COMPARABLE TO THOSE OF 1976 PARIS CLUB AGREEMENT WITH ZAIRE'S OFFICIAL CREDITORS.

8. COMMENT: IT APPEARS TO US THAT KEY ISSUE IS WHETHER OR NOT 180-DAY CREDIT, WHICH WILL BE CONVERTED TO MEDIUM-TERM LOAN SHOULD CONDITIONS NOT BE MET, IS ACCEPTABLE DEGREE OF COMPARABILITY. WE SUGGEST U.S. AGENCIES SUCH AS EXIM AND TREASURY EXAMINE THIS ISSUE CLOSELY. WE BELIEVE THAT IT MIGHT BE USEFUL TO TAKE SOUNDINGS FROM OTHER MAJOR OFFICIAL CREDITORS SUCH AS FRENCH AND BELGIANS TO DETERMINE THEIR VIEWS AS TO WHETHER OR NOT CITIBANK PROPOSAL IS COMPARABLE. FINALLY, WE UNDERSTAND THAT CITIBANK OFFICIALS ARE SCHEDULED TO TESTIFY BEFORE CHURCH COMMITTEE LATE

THIS MONTH AND ARE EXPECTED TO DESCRIBE THEIR PLANS FOR LONDON
BANK AGREEMENT AND THEIR VIEW THAT SUCH PLAN DOES OFFER COMPARABLE
TERMS. THEIR TESTIMONY COULD BE USEFUL IN RESOLVING THIS QUESTION.
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